



Ninety-Seventh Legislature - First Session - 2001
Committee Statement
LB 478

Hearing Date: 2/20/01
Committee On: Education

Introducers: (Schimek, Connealy, Dierks, Engel, Wickersham)
Title: Provide for an extreme poverty student factor under the Tax Equity and Educational Opportunities Support Act

Roll Call Vote – Final Committee Action:

Advanced to General File
Advanced to General File with Amendments
X Indefinitely Postponed

Vote Results:

6	Yes	Senators Price, Coordsen, Raikes, Stuhr, Wickersham, Maxwell
1	No	Senator Suttle
0	Present, not voting	
1	Absent	Senator Brashear

Proponents:

Senator DiAnna Schimek
Dr. Doug Christensen

Teri Dameron

Dr. Rudi Mitchell
Carolyn Kay Fiscus

Mia Merrick
Steve Wiitala

Representing:

Introducer
Department of Education
State Board of Education
Nebraska Indian Education Association
Native American Advisory Council, Omaha
Public Schools
Omaha Nation School Board Member
University of Nebraska/Omaha, Director of
Indian Studies
Walthill Grant Writer
Omaha Public Schools

Opponents:

Representing:

Neutral:

Chuck Squier

Representing:

Rushville Public Schools

Summary of purpose and/or changes:

Legislative Bill 478 creates an extreme poverty factor to provide additional funding through the school finance formula for local system with extreme poverty and a school improvement plan

approved by the Department of Education. A budget exception is provided to allow for costs associated with the school improvement plan. A recertification of state aid is authorized and intent is stated to appropriate \$15 million in order to implement the factor for 2001-02. The measure also exempts schools from the current “lop-off” provisions if the system receive less than 20% of their funds from property taxes.

Section 79-1001 is amended to include the extreme poverty factor in the Tax Equity and Educational Opportunities Support Act.

Section 79-1007.01 is amended by adding the extreme poverty factor to the aid formula. The factor will increase the number of students used in the calculation of state aid for systems with approved school improvement plans as follows:

If 35% poverty, then: Extreme Poverty Factor = $0.20 * \text{Students Qualifying for Existing Poverty Factor}$.

If less than 35% poverty and at least 10 students qualify for the existing poverty factor, then:
Extreme Poverty Factor = $\text{Children under 19 in households with incomes less than \$5,000} * 1.0 +$

$\text{Children under 19 in household with incomes more than \$5,000 and less than \$10,000} * 0.50$.

The measurement of poverty is based on the number of students who qualify for the existing poverty factor. Household income is the annual adjusted gross income for the second calendar year preceding the beginning of the school fiscal year for which aid is being calculated.

The existing poverty factor is based on the greater of the number of students qualifying for free lunches and free milk or the number of children who are low-income based on adjusted gross household incomes of \$15,000 or less. The existing poverty factor adjusts the number of students used in the formula as follows:

1. 0.00 for the qualified students comprising the first 5% of formula students in the system;
2. 0.05 for the qualified students comprising more than 5% and not more than 10% of the formula students in the system;
3. 0.10 for the qualified students comprising more than 10% and not more than 15% of the formula students in the system;
4. 0.15 for the qualified formula students comprising more than 15% and not more than 20% of the formula students in the system;
5. 0.20 for the qualified formula students comprising more than 20% and not more than 25% of the formula students in the system;
6. 0.25 for the qualified formula students comprising more than 25% and not more than 30% of the formula students in the system; and
7. 0.30 for the qualified formula students comprising more than 30% of the formula students in the local system.

School improvement plans required for the extreme poverty factor shall address the implementation and costs of (a) special academic support programs, (b) family support and education programs, (c) language and cultural awareness programs for targeted groups of students and their families, and (d) the staff development needs of the system. The plans will

also address the use of all state and federal funds and how the additional funds will be used to supplement other state and federal aid programs. The department will define specific categories within each of the required areas, establish a submission deadline, and approve or disapprove plans by December 1 of each year. Local systems with minimum levy adjustments shall not be eligible. On or before January 15 of each year, the Commissioner shall report on the school improvement plans and associated costs to the State Board of Education, the Legislature, and the Governor.

The extreme poverty factor is excluded from the student number used to determine the average formula cost per student in each cost grouping, but is included for determining formula needs for local systems.

Section 79-1008.01 is amended to exclude local systems from the provisions commonly referred to as “lop-off” if the local system receives less than 20% of their general fund operating expenditures from property taxes beginning with state aid to be paid in school fiscal year 2002-03. The “lop-off” provisions compare state aid plus potential property taxes, the previous year’s state aid plus property taxes, and the local system’s budget authority to prevent the state from giving a local system more state aid than can legally be spent without incurring a minimum levy adjustment. For local systems that receive less than 20% of their general fund expenditures from property taxes, federal funds are a large enough contributor to their general funds that measuring just state aid plus property taxes does not provide an accurate representation of the amount of state aid that can be spent without incurring a minimum levy adjustment. Impact aid is the main source of federal funding for these local systems. The state is not allowed to account for this type of funding in the state aid formula and this type of funding is not restricted to general fund purposes. A provision similar to this was amended into last year’s technical bill for the Department of Education, which was vetoed due to the estimated cost of this change.

Section 79-1028 is amended to allow districts to exceed their applicable allowable growth rate by a specific dollar amount calculated by the department if the district demonstrates that it will exceed the growth rate as a result of costs pursuant to their school improvement plans.

A new section provides for the recalculation of state aid for 2001-02 to distribute additional aid to local systems that qualify for the extreme poverty factor. An intent is stated for the Legislature to appropriate \$15 million from the General Fund. If the required payments exceeds \$15 million, the payments shall be reduced proportionately. Any funds appropriated and not distributed shall be returned to the General Fund.

Explanation of amendments, if any:

Senator Ron Raikes, Chairperson